

Marlette District Library

Sanilac County, Michigan

Annual Financial Report
March 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Marlette District Library	County Sanilac County
Fiscal Year End March 31, 2006	Opinion Date July 12, 2006	Date Audit Report Submitted to State November 22, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

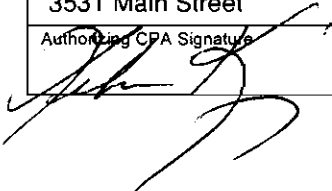
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.		Telephone Number 989-635-3113	
Street Address 3531 Main Street		City Marlette	State MI
Zip 48453			
Authorizing CPA Signature 		Printed Name Lehn King	License Number A248781

Marlette District Library
Annual Financial Report
For The Fiscal Year Ended March 31, 2006

Table of Contents

	<u>Page Number</u>
I. Independent Audit Report	1
II. Management's Discussion & Analysis (Required Supplementary Information)	MDA 1-3
III. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Government Funds	
Balance Sheet	4
Reconciliation of Fund Balances to the Statement of Net Assets	5
Statement of Revenue, Expenditures, & Changes in Fund Balance	6
Reconciliation of the Statement of Revenue, Expenditures, & Changes In Fund Balances of Governmental Funds to the Statement of Activities	7
Notes to Financial Statements	8-14
IV. Required Supplemental Information	15
Budgetary Comparison Schedule	
General Fund	16

LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113

Fax 989-635-5580

Members of the Library Board

Marlette District Library

Sanilac County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marlette District Library, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Marlette District Library, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marlette District Library, Michigan as of March 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marlette District Library, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

Lehn King

Lehn L. King

Certified Public Accountant

July 12, 2006

Marlette District Library

Marlette, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Marlette District Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Library's financial statements.

Financial Highlights

The Library is in a good financial position with a General Fund Balance of \$917,503.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Library's annual report.

The Library as a Whole

The Marlette District Library's fund balance is as follows:

	March 31, 2006	March 31, 2005
General Fund	<u>\$ 917,503</u>	<u>\$ 955,019</u>
Total for Library	<u><u>\$ 917,503</u></u>	<u><u>\$ 955,019</u></u>

Marlette District Library

Marlette, Michigan

Governmental Activities

The Marlette District Library's Revenues and Expenditures can be summarized as follows:

	General Fund
Fund Balance - Beginning of Year	\$ 955,019
Revenue Collected	
Intergovernmental Revenue	35,616
Property Taxes	21,585
Charges for Services	3,705
Interest	35,291
Other	1,900
Total Revenue Collected	98,097
Expenditures	
General Government	108,960
Capital Outlay	12,547
Unrealized Loss	14,106
Total Expenditures	135,613
Fund Balance - End of Year	\$ 917,503

Marlette District Library

Marlette, Michigan

Economic Factors and Next Year's Budget and Rates

The Marlette District Library's 2006/2007 adopted budgets are as follows:

	General Fund	
	March 31,	
	2007	2006
Revenue		
Intergovernmental Revenue	29,000	30,100
Property Taxes	21,585	21,570
Charges for Services	7,800	7,800
Grant Proceeds	-	-
Interest	37,200	37,200
Miscellaneous	15,015	13,750
Total Revenue Collected	110,600	110,420
Expenditures		
Salaries	46,500	46,000
Books	17,750	19,500
Automation	14,700	14,700
Operating Expenses	31,650	30,220
Total Expenditures	110,600	110,420
Net Over/Under Budget	\$ -	\$ -

Contacting the Library

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Library office at 3116 Main Street, Marlette, Michigan or by telephone at (989) 635-2838.

Doug Teale, Chairman
Marlette District Library

Marlette District Library

Statement of Net Assets (Deficit)

March 31, 2006

	Primary Government Governmental Activities
<u>Assets</u>	
Cash & Cash Equivalents	\$ 38,424.22
Investments	880,233.75
Capital Assets (Net of Accumulated Depreciation)	<u>330,409.09</u>
Total Assets	1,249,067.06
<u>Liabilities</u>	
Accrued Payroll Taxes	<u>\$ 1,154.64</u>
<u>Total Liabilities</u>	<u>1,154.64</u>
Net Assets (Deficit)	
Invested in Capital Assets - Net of Related Debt	330,409.09
Unrestricted	<u>917,503.33</u>
<u>Total Net Assets (Deficit)</u>	<u>\$ 1,247,912.42</u>

The notes are an integral part of the statements.

Marlette District Library

Statement of Activities

For the Year Ended March 31, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
Primary Governmental Activities:				
General Government	\$ 118,572.20	\$ 3,705.36	\$ -	\$ -
Total Governmental Activities	\$ 118,572.20	\$ 3,705.36	\$ -	\$ -
General Revenues:				
Property Taxes				\$ 21,584.85
Intergovernmental Revenue				35,615.89
Interest				35,291.33
Other Revenues				(12,206.53)
Total General Revenues, Special Items & Transfers				80,285.54
Change in Net Assets				(34,581.30)
Net Assets (Deficit) - Beginning of Year				1,282,493.72
Net Assets (Deficit) - End of Year				\$ 1,247,912.42

The notes are an integral part of the statements.

Marlette District Library

Governmental Funds

Balance Sheet

March 31, 2006

	General Fund	Totals Governmental Funds
<u>Assets</u>		
Cash & Certificates of Deposit	\$ 38,424.22	\$ 38,424.22
Investments	880,233.75	880,233.75
<u>Total Assets</u>	\$ 918,657.97	\$ 918,657.97
<u>Liabilities & Fund Equity</u>		
<u>Liabilities</u>		
Accrued Payroll Taxes	\$ 1,154.64	\$ 1,154.64
<u>Total Liabilities</u>	1,154.64	1,154.64
<u>Fund Equity</u>		
Fund Balances		
- Unreserved & Undesignated	917,503.33	917,503.33
<u>Total Fund Balances</u>	917,503.33	917,503.33
<u>Total Liabilities & Fund Equity</u>	\$ 918,657.97	\$ 918,657.97

The notes are an integral part of the statements.

Marlette District Library
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended March 31, 2006

Total Fund Balances for Governmental Funds	\$ 917,503.33
---	----------------------

Amounts reported for Governmental Activities in the Statement of
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	<u>330,409.09</u>
---	-------------------

Net Assets of Governmental Activities	<u><u>\$ 1,247,912.42</u></u>
--	--------------------------------------

Marlette District Library
Governmental Funds
Statement of Revenues, Expenditures, And Changes
in Fund Balances
For The Year Ended March 31, 2006

	General Fund	Totals Governmental Funds
<u>Revenues</u>		
Property Taxes	\$ 21,584.85	\$ 21,584.85
Intergovernmental Revenue	35,615.89	35,615.89
Charges for Services	3,705.36	3,705.36
Interest Earnings	35,291.33	35,291.33
Other Revenues	1,899.75	1,899.75
<u>Total Revenues</u>	<u>98,097.18</u>	<u>98,097.18</u>
<u>Expenditures</u>		
General Government	108,959.57	108,959.57
Capital Outlay	12,546.72	12,546.72
<u>Total Expenditures</u>	<u>121,506.29</u>	<u>121,506.29</u>
Excess of Revenues Over (Under) Expenditures	(23,409.11)	(23,409.11)
Unrealized Gain / (Loss)	(14,106.28)	(14,106.28)
Net Change in Fund Balances	(37,515.39)	(37,515.39)
<u>Fund Balance - Beginning of Year</u>	<u>955,018.72</u>	<u>955,018.72</u>
<u>Fund Balance - End of Year</u>	<u>\$ 917,503.33</u>	<u>\$ 917,503.33</u>

Marlette District Library
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ (37,515.39)
---	-----------------------

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures; in the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as Depreciation	12,546.72
--	-----------

Depreciation is an Expenditure for the Statement of Activities, but is not reported in the Governmental Funds	<u>(9,612.63)</u>
--	-------------------

Net Asscts of Governmental Activities	<u><u>\$ (34,581.30)</u></u>
--	-------------------------------------

The notes are an integral part of the statements.

Marlette District Library

Notes To Financial Statements
For Year Ended March 31, 2006

The accounting methods and procedures adopted by the Marlette District Library, Sanilac County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Library's Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Marlette District Library was formed to serve the City of Marlette and other surrounding Townships. The Library operates under an elected Library Board for the purpose of providing Library services.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) in its Statement No. 14, the Marlette District Library is not considered to be part of any other governmental entity for financial reporting purposes. The criteria established by GASB for determining the various organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public services, fiscal independence, financial accountability, imposition of will and financial benefit or burden. On this basis, the financial statements of other governmental organizations are not included in the financial statements of the Marlette District Library.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Library (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Library reports the following major governmental funds:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources of the general government.

Marlette District Library

Notes To Financial Statements
For Year Ended March 31, 2006

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Library. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Library does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Library's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Library to hold such investments until they mature.

Other Assets - Other assets held are recorded and accounted for at cost.

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distribution. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Revenues and Expenditures/Expenses - Generally, Revenues for governmental funds, tax revenues, fees, and nontax revenues are recognized when earned. Grants from other governments are recorded when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when incurred.

Vacation, Sick Leave, and Other Compensated Absences - The Library does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings & Building Improvements	20 to 50 years
Machinery & Equipment	3 to 20 years

Marlette District Library

Notes To Financial Statements
For Year Ended March 31, 2006

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 – Effective April 1, 2004, the Library implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Library's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Library's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Library's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Library as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

Marlette District Library

Notes To Financial Statements
For Year Ended March 31, 2006

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Library is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Library actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Library as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the Special Revenue Funds are presented in the required supplemental information.

During the year ended March 31, 2006, the Library incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund			
Salaries & Wages	\$ 46,000	\$ 46,558	\$ 558
Payroll Taxes & Retirement	3,070	3,504	434
Insurance	3,000	5,173	2,173
Library Association Dues	350	2,404	2,054
Telephone & Utilities	6,400	6,955	555
Capital Outlay	-	12,547	12,547

Marlette District Library

Notes To Financial Statements
For Year Ended March 31, 2006

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Total Primary Government
Cash & Cash Equivalents	\$ 38,424	\$ 38,424

The Library's deposits are in accordance with statutory authority. As of March 31, 2006, the balance sheet carrying amount of cash deposits was \$38,424. The bank balance as of March 31, 2006, was \$38,424, of which \$38,424 was covered by FDIC insurance.

All cash deposits and investments of the Library are held by the Library in the Library's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

	Category			Carrying Value	Market Value
	(1)	(2)	(3)		
Investments	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Securities	880,234	-	-	880,234	880,234
Total Investments	\$ 880,234	\$ -	\$ -	\$ 880,234	\$ 880,234

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Library or its agent in the Library's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Library's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Library's name.

Marlette District Library

Notes To Financial Statements
For Year Ended March 31, 2006

4. Capital Assets

Capital Assets activity of the Library's governmental activities (and business-type) was as follows:

	Balance April 1, 2005	Additions	Disposals & Adjustments	Balance March 31, 2006
Governmental Activities:				
Capital Assets not being Depreciated - Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital Assets Being Depreciated:				
Buildings & Improvements	\$ 359,279	\$ 12,547	\$ -	\$ 371,826
Office Equipment	5,193	-	-	5,193
Total Capital Assets being Depreciated	364,472	12,547	-	377,019
Accumulated Depreciation:				
Buildings & Improvements	60,884	8,129	-	69,013
Office Equipment	1,113	1,484	-	2,597
Total Accumulated Depreciation	61,997	9,613	-	71,610
Net Capital Assets Being Depreciated	302,475	2,934	-	305,409
Net Capital Assets	\$ 327,475	\$ 2,934	\$ -	\$ 330,409

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 9,613
Total Governmental Activities	\$ 9,613

5. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

6. Interfund Receivables, Payables, & Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

NONE

Interfund Transfers reported in the Fund Statements are as follows:

NONE

Marlette District Library

Notes To Financial Statements
For Year Ended March 31, 2006

7. Deferred Compensation Plan

The Library provides pension benefits to all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investments earnings. The plan is administered by American Express Financial Advisors, Inc. and funding is through a group flexible fund retirement contract (participating) with American Express Financial Advisors, Inc. Employees are 100% vested upon contribution, the Library contributes four percent of employees' gross earnings and employees can voluntarily contribute up to twenty percent of earnings. In accordance with these requirements, the Library contributed \$739.60 during the current year.

8. Post Employment Benefits

The Library does not provide any post employment benefits other than the pension benefits.

9. Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Library has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Required Supplemental Information

Marlette District Library
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Property Taxes	\$ 21,570.00	\$ 21,570.00	\$ 21,584.85	\$ 14.85
Intergovernmental	5,400.00	5,400.00	7,149.22	1,749.22
Penal Fines	27,700.00	27,700.00	28,466.67	766.67
Video Rental & Book Sales	4,800.00	4,800.00	3,705.36	(1,094.64)
Contributions & Memorials	-	-	704.00	704.00
Interest	37,200.00	37,200.00	35,291.33	(1,908.67)
Other	1,500.00	1,500.00	1,195.75	(304.25)
<u>Total Revenues</u>	<u>98,170.00</u>	<u>98,170.00</u>	<u>98,097.18</u>	<u>(72.82)</u>
<u>Expenditures</u>				
Salaries & Wages	46,000.00	46,000.00	46,558.21	(558.21)
Payroll Taxes & Retirement	3,070.00	3,070.00	3,504.31	(434.31)
Insurance	3,000.00	3,000.00	5,173.00	(2,173.00)
Library Association Dues	350.00	350.00	2,403.59	(2,053.59)
Automation	12,000.00	12,000.00	10,133.00	1,867.00
Materials - Books, Magazines, & Videos	22,200.00	22,200.00	19,405.98	2,794.02
Supplies & Workshops	4,000.00	4,000.00	3,050.18	949.82
Telephone & Utilities	6,400.00	6,400.00	6,954.51	(554.51)
Repairs & Maintenance	9,900.00	9,900.00	8,406.27	1,493.73
Miscellaneous	3,500.00	3,500.00	3,370.52	129.48
Capital Outlay	-	-	12,546.72	(12,546.72)
<u>Total Expenditures</u>	<u>110,420.00</u>	<u>110,420.00</u>	<u>121,506.29</u>	<u>(11,086.29)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(12,250.00)</u>	<u>(12,250.00)</u>	<u>(23,409.11)</u>	<u>(11,159.11)</u>
Unrealized Gain (Loss)	-	-	(14,106.28)	14,106.28
<u>Excess of Revenues Over (Under) Expenditures After Unrealized Gain / (Loss)</u>	<u>(12,250.00)</u>	<u>(12,250.00)</u>	<u>(37,515.39)</u>	<u>2,947.17</u>
<u>Fund Balance - Beginning of Year</u>	<u>12,250.00</u>	<u>12,250.00</u>	<u>955,018.72</u>	<u>942,768.72</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 917,503.33</u>	<u>\$ 945,715.89</u>

LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

July 12, 2006

Members of the Library Board
Marlette District Library
Sanilac County, Michigan

Members of the Library Board:

In accordance with your request, I have made an examination of the financial statements of Marlette Library for the fiscal year ended March 31, 2006. During the course of my examination, no material items came to my attention.

From an overall viewpoint, the Marlette District Library is in good financial condition. The financial records maintained by the Library are in good order.

I thank the Library officials for the cooperation I received in the completion of this examination. Should you have any questions in connection with the above, please contact me at your convenience.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant